

SCHOOL FACILITY FEE REIMBURSEMENT PROGRAM (For Rental Housing Developments)

PROGRAM DESCRIPTION

SB50 (stats. 1998) provided funding for the School Facility Fee Affordable Housing Rental Assistance Program – hereinafter referred to as the School Facility Fee Reimbursement Program (“SFFRP”) which provides reimbursement of school facility fees paid pursuant to Proposition 1A (1998) (“Prop1A”). Sponsors or developers of rental housing developments who agree to restrict rents and occupancy of a portion of the units to very-low income households for a period of fifty-five (55) years can receive reimbursement for one hundred percent (100%) of eligible school facility fees.

The SFFRP is funded by the Department of General Services with \$13 million dollars per year (less costs of administering the program) for four years, beginning January 1, 1999. Approved school facility fee reimbursements will be made on a first-come, first-served basis.

PROGRAM ELIGIBILITY REQUIREMENTS

- The rental housing development must be located within California; and
- The building permit for the rental housing development must have been issued on or after January 1, 1999; and
- The rental housing development costs include School Facility Fees paid pursuant to Proposition 1A (see the attached Applicant Certification and School Certifications for a definition of fees paid pursuant to Prop 1A) and that are paid prior to, or concurrent with permanent loan funding;
- The Applicant agrees to the recordation of a Regulatory Agreement restricting occupancy to eligible tenants at restricted rents for a period of fifty-five (55) years.

PROGRAM DEFINITIONS

“Applicant” refers to the sponsor/developer/builder who is the legal owner of record of the Rental Housing Development.

“Certifications” shall mean the certifications made annually by the Applicant or their authorized management agent, in accordance with the terms of the Regulatory Agreement.

“Deed of Trust” refers to the deed of trust which may be used if the Applicant elects a loan instead of a grant reimbursement. The deed of trust will secure a Note (as defined below). This election may affect how the reimbursement is treated for income tax purposes. In making this decision you should consult your tax advisor.

“Dedicated Units” refers to the number of regulated units restricted to occupancy by Very-low Income Households. The Dedicated Units shall be occupied by, or reserved for occupancy by very-low income household and shall be of comparable quality to all other dwelling units in the Development.

The number of Dedicated Units shall be determined by dividing the total School Facility Fees by the average per unit Total Construction Cost (rounded up to the nearest whole number). The number of Dedicated Units shall be determined by dividing the total School Facility Fees by the average per unit Total Construction Cost (**rounded up to the nearest whole number**).

EXAMPLE: Total School Facility Fees of \$200,000 divided by average per unit construction costs of \$92,600 would equal 2.16 units – rounded up – would require 3 Dedicated Units.

The units that may be selected by the Applicant as Dedicated Units must be a proportionate share of the unit mix in the entire development AND must originally have been either market rate units, or if there are no market rate units, the least subsidized units having the highest rents must be selected.

EXAMPLE: If you have a 100-unit project with a unit mix of 1,2,3, & 4 bedroom units – and 3 units have to be dedicated under this example; CHFA would require dedication of one 4-bedroom unit, one 3-bedroom unit, and either one 1 or 2-bedroom unit. The specific dedicated units would have to be market rate units (if available) or other rent restricted units with the highest allowable income.

“Note” refers to the promissory note which may be used if the Applicant elects a loan (forgivable or non-forgivable) instead of a grant reimbursement. The Note will be secured by the Deed of Trust. The Applicant may choose to have either a lump sum forgiveness at the end of 55 years or an incremental forgiveness of 1/55th of the loan amount each year. This election may affect how the reimbursement is treated for income tax purposes. In making this decision, you should consult your tax advisor.

“Regulatory Agreement” shall be the agreement recorded against the subject property that specifies the number and bedroom count of the Dedicated Units

and how certifications are to be made to CHFA annually for a period of fifty-five (55) years.

“Regulatory Rents” shall be imposed on Dedicated Units and shall not, on a monthly basis, exceed one-twelfth ($1/12^{\text{th}}$) of thirty percent (30%), of thirty percent (30%) of area median income with adjustments for household size appropriate for the size unit (assuming one person in a studio unit, two people in a one bedroom unit and one additional person, per additional bedroom). Rents can increase annually based on the change in county median income as published annually by HUD.

“Rental Housing Development” refers to any rental housing development with five or more units.

“School Facility Fee” shall mean all School Facility fees assessed the Rental Housing Development pursuant to Education Code Section 17620 – and imposed by a locality, school district, or Community Facility District (CFD) against the rental housing development pursuant to SB 50 (1998), Proposition 1A (Government Code Sections 65995(b), 65995.5 and 65995.7)

“Total Construction Costs” is the sum of the hard costs associated with the construction of the Rental Housing Development (includes construction costs associated with on-site work, structures, general requirements, contractor overhead, and contractor profits).

“Very-Low Income Households” for the purposes of this Program shall be eligible tenant households earning a maximum of fifty percent (50%) of the area median income adjusted for household size, as published by HUD annually.

SUBMISSION REQUIREMENTS:

Application for reimbursements under the SFFRP will be accepted on a first come, first served basis. In order to obtain a reservation of funds for the reimbursement of eligible School Facility Fees the Applicant must submit ALL of the following documentation to CHFA prior to the Rental Housing Development's permanent loan closing:

1. A complete SFFRP Application requesting a reservation and commitment of funds;
2. A copy of the Building Permit dated on or after January 1, 1999; and
3. Legal Property Description for the subject development; and
4. A construction or permanent lender's project specific FIRM funding commitment letter and approved itemized total development budget (no more than 6 months old) with a breakdown of the Total Construction Costs; and

5. An itemized permanent funding Sources and Uses of Funds; and
6. An Applicant Certification and School Certification with evidence from the School District, of the total cost of School Facility Fees assessed the Rental Housing Development pursuant to Proposition 1A, with evidence of payment in full of such fees (or evidence of a fee deferral agreement with the locality or school district along with a Demand for Payment form the appropriate Authority submitted to escrow at permanent loan closing); and
7. For projects with any rent restricted units required by other funding sources – provide a summary of the Rental Housing Developments unit mix and restricted rents (prior to consideration of the SFFRP rent restricted units); and
8. A proposal for the number, type and specific units you would like to be considered as the Dedicated Units.

Upon acceptance by the Agency of a substantially competed SFFRP application, a reservation of funds can be made on a first come, first served basis. Assuming funding availability, CHFA will verify the required number of Dedicated Units; confirm the units to be rent restricted; and provide the Applicant with a School Facility Fee Reimbursement Commitment Letter which outlines the terms of the Commitment and provides a sample Regulatory Agreement and, if applicable, the Note and Deed of Trust.

NOTE: Once available SFFRP funds have been committed in any given year, subsequent applications shall be issued a reservation number, date stamped and kept by CHFA until future SFFRP funds become available.

Eligible fee reimbursements will be disbursed through escrow, after review of final construction costs to verify the correct number of Dedicated Units based on the formula shown above, concurrent with the funding of the permanent first mortgage, recordation of the SFFRP Regulatory Agreement and, if applicable, the Note and Deed of Trust.

Questions regarding the School Facility Fee Reimbursement Program should be directed to CHFA's Multifamily Lending Division, 1121 "L" Street, Ste. 207, Sacramento, CA 95814; or call (916) 324-8209; fax (916) 327-5115.